

Mineral Industry Surveys

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GOLD IN MAY 2006

U.S. mines produced 20,200 kilograms (kg) of gold in May, a 2% increase compared with that of April, according to the U.S. Geological Survey. The daily production rate of gold in May was 650 kg, 9% lower than the 2005 annual average daily production rate of 715 kg and 2% lower than the April average rate of 661 kg.

Engelhard Industries' average gold price for May was \$676.44 per troy ounce, 21% more than the average April price. The gold price breached the \$700-per-troy-ounce-level on May 10 and peaked two days later at \$726 per troy ounce.

Engelhard Corporation (Iselin, NJ), one of the leading surface and materials science companies in the world, announced that it had entered into a merger agreement under which BASF Corporation (Ludwigshafen, Germany) was to acquire all the outstanding shares of Engelhard for \$39 per share in cash, for a total transaction value of about \$5.5 billion (Engelhard Corporation, 2006).

Apollo Gold Corporation (Denver, CO) announced that all operations at the Montana Tunnels Mine have ceased, and the mine has been placed on care and maintenance. Apollo had been milling low grade ore stockpiles since October 2005 owing to the closure of the open pit. In March, Apollo decided to sell the mine and had hoped to complete the transaction before the stockpiles were exhausted (Apollo Gold Corporation, 2006).

The Mongolian Parliament approved a new 68% tax on income from copper and gold sales when the price of the metals rises above \$2,600 per ton and \$500 per troy ounce, respectively. The legislation was rushed through with little debate and no industry comments or inputs. The approval of the new tax has caught many companies off guard and may cause them to reevaluate projects. Several companies were actively exploring in Mongolia. Ivanhoe Mines (Vancouver, British Columbia, Canada), for example, has spent more than \$370

million on exploration and development on its Oyu Tolgoi copper-gold deposit in the southern Gobi Desert (Stakiw, 2006).

The main shaft at the South Deep Mine in South Africa could be closed for 9 to 12 months following an accident on May 4, during which a loaded skip fell. Until the main shaft is reopened, reduced production will continue through the South Shaft (Platts Metals Week, 2006).

According to the World Gold Council (2006), first quarter gold demand dropped 16% in tonnage but increased 9% in value compared with demand and value, respectively, in the same period in 2005. The drop in demand was mainly attributed to the decreased demand for gold jewelry in the first quarter, which fell 22% in weight but increased 2% in value compared with respective measures in the first quarter 2005. The drop in jewelry demand was partially offset by an increase in investment products, specifically the Exchange Traded Funds (ETFs). In the first quarter 2006, 109 metric tons of gold flowed into ETFs; this was the largest quarterly influx since the introduction of the World Gold Council backed ETF, streetTRACKS, in late 2004.

References Cited

- Apollo Gold Corporation, 2006, Apollo Gold places Montana Tunnels Mine on care and maintenance: Denver, CO, Apollo Gold Corporation news release, May 12, 2 p.
- Engelhard Corporation, 2006, Engelhard, BASF enter into definitive merger agreement: Iselin, NJ, Engelhard Corporation press release, May 30, 1 p.
- Platts Metals Week, 2006, South Deep gold mine shaft out: Platts Metals Week, v. 77, no. 20, May 15, p. 10.
- Stakiw, Stephen, 2006, Mongolia drops tax bombshell: The Northern Miner, v. 92, no. 13, May 19-25, p. 1-2.
- World Gold Council, 2006, Investment demand for gold soars during volatile first quarter: London, United Kingdom, World Gold Council press release, May 23, 9 p.

TABLE 1
MINE PRODUCTION OF RECOVERABLE GOLD IN THE UNITED STATES,
BY STATE¹

(Kilograms)

	Nevada	Other States ²	Total
<u>2005:^p</u>			
May	16,900	3,590	20,500
June	18,500	3,650	22,100
July	18,100	3,560	21,600
August	19,700	3,910	23,600
September	19,600	3,980	23,600
October ^r	18,700	3,500	22,200
November ^r	18,100	3,710	21,800
December ^r	19,500	3,460	22,900
January-December ^r	217,000	44,600	261,000
<u>2006:</u>			
January ^r	15,200	3,250	18,500
February	14,800	3,420 ^r	18,300 ^r
March ^r	18,400	3,850	22,200
April ^r	16,000	3,870	19,800
May	16,000	4,170	20,200
January-May	80,400	18,600	98,900

^pPreliminary. ^rRevised.

¹Data are rounded to no more than three significant digits; may not add to totals shown.

²Includes Alaska, Arizona, California, Colorado, Idaho, Montana, South Dakota, Utah, and Washington.

TABLE 2
GOLD PRICES

(Dollars per troy ounce)

Engelhard Industries:	
2005:	
Low/date	412.45 Feb. 8
High/date	538.06 Dec. 12
Average	446.20
2006:	
March:	
Low/date	536.56/10
High/date	585.64/30
Average	558.69
April:	
Low/date	588.15/5
High/date	645.74/28
Average	558.69
May:	
Low/date	643.99/26
High/date	726.88/12
Average	676.44
Year to date:	
Low/date	526.29 Jan. 5
High/date	726.88 May 12
Average	591.06
Handy and Harman:	
2005, average	
	444.79
2006:	
March	557.09
April	610.41
May	673.97
Year to date	589.15
London Final:	
2005, average	
	444.88
2006:	
March	557.09
April	610.65
May	675.39
Year to date	589.60

Source: Platts Metals Week.

TABLE 3
U.S. IMPORTS AND EXPORTS OF GOLD¹

(Kilograms of gold content, unless otherwise specified)

Period and country	Ores and concentrates ²	Doré and precipitates	Refined bullion ³	Total ⁴	Waste and scrap (gross weight)	Metal powder (gross weight)	Gold compounds (gross weight)
Imports for consumption:							
2005	1,630	234,000	105,000	341,000	27,300	1,990	29,500
2006:							
February	5	14,200	8,700	22,900	3,610	53	849
March	2	14,100	11,300	25,400	3,860	127	3,630
April:							
Aruba	--	--	136	136	--	--	--
Brazil	--	--	1,300	1,300	1	--	2,790 ⁵
Canada	1 ⁵	(6)	4,730 ⁵	4,730	288 ⁵	25 ⁵	--
Chile	--	4,150 ⁵	525	4,680	--	--	--
Colombia	--	677	350 ⁵	1,030	1,660	--	--
Dominican Republic	--	--	--	--	759 ⁵	22 ⁵	--
Ghana	--	--	1	1	--	104 ⁵	--
Honduras	--	349	--	349	25	--	--
Japan	--	--	--	--	--	--	4,650 ⁵
Mexico	--	272	3,170	3,440	919 ⁵	6 ⁵	--
Nicaragua	--	196	--	196	20 ⁵	--	--
Panama	--	53	70 ⁵	123	10	--	--
Peru	--	5,530	--	5,530	--	--	--
United Kingdom	--	--	170 ⁵	170	4	--	874 ⁵
Other	--	33	141	174	313 ⁵	10 ⁵	--
Total	1	11,300	10,600	21,900	4,000	167	8,310
Year to date	16	51,700	45,300	97,000	15,200	395	13,300
Exports:							
2005	1,380	141,000	182,000	324,000	563,000	687	1,310,000
2006:							
February	75	8,490	16,100	24,600	35,100	25	97,700
March	1,360	11,400	20,600	33,300	30,800	31	107,000
April:							
Belgium	--	--	--	--	3,840	--	--
Canada	--	--	7	7	12,300	--	15,200 ⁵
China	--	--	--	--	--	--	31,800 ⁵
Dominican Republic	5 ⁵	--	--	5	--	--	5,350 ⁵
Germany	--	--	37	37	13,700	(6) ⁵	355 ⁵
Israel	--	--	--	--	--	1	2,620 ⁵
Japan	--	--	--	--	52	--	600 ⁵
Mexico	--	--	345	345	--	2	3,070 ⁵
Netherlands	--	--	--	--	--	--	270 ⁵
New Zealand	--	--	--	--	--	--	158 ⁵
Panama	--	--	--	--	--	--	826 ⁵
Singapore	--	--	--	--	2,840	--	55,100 ⁵
Switzerland	--	13,900	812	14,800	--	--	--
Taiwan	--	--	--	--	--	--	5,600 ⁵
United Kingdom	2 ⁵	3	6,920	6,930	30,800	--	1,460 ⁵
Other	37 ⁵	--	129	166	76 ⁵	(6) ⁵	--
Total	45	14,000	8,250	22,200	63,700	3	122,000
Year to date	1,550	47,100	62,000	111,000	181,000	101	432,000

-- Zero.

¹Data are rounded to no more than three significant digits; may not add to totals shown.

²Includes gold content of base metal ores, concentrates, and matte imported for refining.

³Bullion also moves in both directions between U.S. markets and foreign stocks on deposit in the Federal Reserve Bank. Monetary gold excluded.

⁴"Waste and scrap," "Metal powder," and "Gold compounds" not included in "Total."

⁵All or part of these data have been referred to the U.S. Census Bureau for verification.

⁶Less than ½ unit.

Source: U.S. Census Bureau.